

Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 DODE-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 PM-03 INR-07 L-03 ACDA-05 NSAE-00 PA-01

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FM SECSTATE WASHDC

TO AMEMBASSY THE HAGUE IMMEDIATE

AMEMBASSY COPENHAGEN PRIORITY

AMEMBASSY OSLO PRIORITY

INFO AMEMBASSY BRUSSELS PRIORITY

USMISSION NATO

CINCEUR

C O N F I D E N T I A L STATE 130394

E.O. 11652: GDS

TAGS: MASS, NL, BE, NO, DA

SUBJECT: SECDEF JUNE 2 LETTER TO BELGIAN MOD

REF: STATE 128137, JUNE 2

1. AT MEETING WITH BELGIAN MOD VANDEN BOEYNANTS ON JUNE 2,
SECDEF TOLD THE MOD THAT CLARIFICATIONS GIVEN TO GOB WOULD
BE PROVIDED TO ALL EUROPEAN MEMBERS OF THE CONSORTIUM.
ALTHOUGH NO TIME FOR PROVIDING THEM WAS SET, WE BELIEVE
THAT THIS CAN BE DONE NOW. YOU ARE REQUESTED TO PUT THE
COPY OF THE LETTER SET FORTH BELOW INTO APPROPRIATE FORM
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AND DELIVER IT TO MODS DENMARK, NETHERLANDS AND NORWAY.

2. TEXT OF LETTER: APPROPRIATE ADDRESS. SALUTATIONS:
FOR VREDELING: DEAR HENK; FOR FOSTERVOLL, DEAR ALV; FOR
MOELLER: DEAR MR. MINISTER.

QUOTE: ON JUNE 2, AT HIS REQUEST, MINISTER PAUL VANDEN
BOEYNANTS VISITED ME IN WASHINGTON TO DISCUSS THE CONSOR-
TIUM PROCUREMENT OF THE F-16 LIGHTWEIGHT FIGHTER AIRCRAFT.
AT THAT TIME I ADVISED HIM THAT THE CLARIFICATIONS PRO-
VIDED TO HIS GOVERNMENT WOULD BE EQUALLY APPLICABLE AND
AVAILABLE TO ALL MEMBERS OF THE CONSORTIUM. ACCORDINGLY,
THERE FOLLOWS THE TEXT OF THE LETTER FURNISHED TO MINISTER
VANDEN BOEYNANTS BEFORE HE LEFT WASHINGTON.

TEXT: DEAR MR. MINISTER:

AS A RESULT OF OUR DISCUSSIONS TODAY, I WISH TO AFFIRM THE
COMMITMENTS MADE IN THE F-16 MEMORANDUM OF UNDERSTANDING
NOW AWAITING YOUR SIGNATURE. OUR DISCUSSION DEMONSTRATED
THE NEED FOR CERTAIN CLARIFICATIONS FOR EMPHASIS WHICH I
AM MOST PLEASED THAT WE WERE ABLE TO PROVIDE TO YOUR SATIS-
FACTION. AS I INDICATED TO YOU THIS MORNING, THESE
CLARIFICATIONS ARE ALSO BEING PROVIDED TO THE OTHER SIGNA-
TORIES TO THE MOU.

PRICE. WE CONFIRM THAT IT IS OUR INTENTION TO PURCHASE
SUBSTANTIALLY MORE THAN THE STATED 650 F-16 AIRCRAFT. IN
THE UNLIKELY EVENT THAT FEWER THAN 650 AIRCRAFT SHOULD BE
PURCHASED, OFFSETTING COMPENSATION WOULD TAKE THE FORM OF
THIRD COUNTRY SALES OR BY THE USG GRANTING THE CONSORTIUM
COUNTRIES PARTICULAR PREFERENCE FOR LOGISTIC SUPPORT SUCH
AS OVERHAULING OF ENGINES, AIRFRAMES AND AVIONICS FOR USAF
AIRCRAFT STATIONED IN EUROPE.

DECISION MAKING. WE WELCOME THE OPPORTUNITY TO EMPHA-
SIZE ONCE AGAIN THAT THE USG WILL MAKE DECISIONS ON A
FAVORABLE COST EFFECTIVE BASIS. THIS WILL BE IN FULL
COMPLIANCE WITH THE SPIRIT AND INTENT OF PARAGRAPH 47
AND 51 OF SECTION O OF THE MEMORANDUM OF UNDERSTANDING.
MODIFICATIONS FOR SAFETY OF FLIGHT ARE CONSIDERED AS MANDA-
TORY FOR ALL PARTIES TO THE MOU. ANY MATTERS REFERRED TO
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THE UNITED STATES SECRETARY OF DEFENSE AS FINAL ARBITRATOR
WILL BE DECIDED ON ESSENTIALITY AND COST EFFECTIVENESS CON-
SIDERATIONS.

INDUSTRIAL PARTICIPATION. THE SPIRIT AND INTENT OF THE
MOU WILL CONTINUE TO BE THE BASE POINT FOR ARRANGING
FURTHER PRODUCTION SHARING IN THE CASE OF ORDERS FOR
ADDITIONAL AIRCRAFT BY ONE OR MORE OF THE PARTICIPATING

COUNTRIES. IT IS BOTH THE U.S. GOVERNMENT'S EXPECTATION AND ITS CLEAR INTENTION THAT THE SIGNATORIES TO THE MEMORANDUM OF UNDERSTANDING BE AFFORDED A CONTINUING OPPORTUNITY TO PARTICIPATE IN THE PRODUCTION OF AIRCRAFT FOR THE U.S. INVENTORY BEYOND THE MINIMUM 650 AIRCRAFT QUANTITY. IT IS, OF COURSE, RECOGNIZED THAT SUCH PARTICIPATION WOULD BE SUBJECT TO THE INDUSTRIES IN SUCH COUNTRIES DESIRING TO PARTICIPATE AND REMAINING REASONABLY COMPETITIVE. ADDITIONAL BUYS WOULD NOT BE CONSIDERED AN OBSTACLE TO THE APPLICATION OF "REASONABLE COMPETITIVENESS" AS DEFINED IN THE MOU.

REASONABLE COMPETITIVENESS. IN EVALUATING WHETHER EUROPEAN INDUSTRY IS REASONABLY COMPETITIVE WITH UNITED STATES COMPANIES FOR THE COPRODUCTION PROGRAM, PROVIDED IN THE MOU, IT HAS ALWAYS BEEN OUR INTENTION AND THAT OF THE PROGRAM PRIME CONTRACTORS THAT SUCH EVALUATIONS WILL BE ON AN EQUITABLE BASIS. IN GENERAL, THIS WOULD MEAN THAT COMPARATIVE PRICES SHOULD INCLUDE THE SAME COST ELEMENTS AND GIVE DUE CONSIDERATION TO DIFFERENCES IN THE CONTEMPLATED PRODUCTION RUNS. THE "REASONABLY COMPETITIVE" CONCEPT WAS DEVELOPED TO SPECIFICALLY INSURE THAT EUROPEAN CONTRACTORS WOULD BE EVALUATED IN LIGHT OF DIFFERING TAXES, TRANSPORTATION, ACCOUNTING AND OTHER FACTORS WHICH MIGHT BE PRESENT AT THE TIME OF CONTRACT AWARD.

EARLY PARTICIPATION OF EUROPEAN INDUSTRY. IT IS RECOGNIZED THAT IT WOULD BE MOST HELPFUL TO EUROPEAN PARTICIPANTS IF WORK COULD BE PLACED IN EUROPE DURING 1976. WE AGREE TO ENCOURAGE GENERAL DYNAMICS AND UNITED TECHNOLOGIES IN THE PLACEMENT OF ORDERS IN EUROPE WHICH COULD BE FILLED DURING SUCH A PERIOD. SUCH WORK MAY BE OUTSIDE OF THE F-16 COPRODUCTION PROGRAM BUT WOULD, NEVERTHELESS, BE CONFIDENTIAL

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CONSIDERED AS MEETING A PART OF THE U.S. GOVERNMENT OBLIGATIONS TO ACHIEVE A CERTAIN LEVEL OF OFFSET ON THE F-16 PROGRAM. REQUESTS WILL BE MADE OF THE TWO PRIME CONTRACTORS MENTIONED ABOVE TO UNDERTAKE DISCUSSIONS WITH EUROPEAN INDUSTRY AS SOON AS POSSIBLE AFTER SIGNATURE OF THE MOU.

MANAGEMENT-EUROPEAN PROGRAM OFFICE. THE UNITED STATES WOULD AGREE THAT LOCATION OF THE EUROPEAN SYSTEM PROGRAM OFFICE FOR THE F-16 PROGRAM CAN BE IN BRUSSELS, BELGIUM IF THAT LOCATION IS ACCEPTABLE TO THE OTHER EUROPEAN PARTICIPATING GOVERNMENTS IN THE F-16 MEMORANDUM OF UNDERSTANDING.

TRANSFER OF TECHNOLOGY. THE USG REAFFIRMS THAT THE

TRANSFER OF TECHNOLOGY WILL NOT BE RESTRICTED BY THE USG
FOR REASONS OTHER THAN THOSE STRICTLY REQUIRED BY SECURITY.

CURRENCIES. ORDERS PLACED BY THIRD COUNTRIES FOR
PURCHASE OF THE F-16 SHOULD BE DENOMINATED EITHER IN U.S.
DOLLARS OR IN A CURRENCY MUTUALLY AGREED TO BY THE PARTIES
CONCERNED.

PURCHASES BY ADDITIONAL GOVERNMENTS. SHOULD OTHER
EUROPEAN COUNTRIES DESIRE TO PURCHASE THE F-16, A REASON-
ABLE OPPORTUNITY WILL BE AFFORDED THE EUROPEAN CONSORTIUM
INDUSTRY TO PARTICIPATE IN THE PARTIAL AND FINAL ASSEMBLIES
OF THE F-16 AIRCRAFT PURCHASED BY THESE COUNTRIES.

ON BEHALF OF THE UNITED STATES GOVERNMENT, IT IS HOPED THAT
THE CLARIFICATION PROVIDED ABOVE WILL PERMIT THE FOUR
GOVERNMENTS TO MAKE AN EARLY FIRM COMMITMENT ON
PARTICIPATION IN THE F-16 PROGRAM. SINCERELY, JAMES R.
SCHLESINGER. UNQUOTE. KISSINGER

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To: THE HAGUE OSLO
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